FRESHWATER FISH 2009 ANNUAL REPORT

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LETTER OF TRANSFER

From Chairperson of the Board of Directors
to Minister of Fisheries and Oceans

Honourable Gail Shea
Government of Canada
Minister of Fisheries and Oceans
Suite 1570, 200 Kent Street
Ottawa, Ontario
K1A 0E6

Dear Ms. Shea:

We are pleased to submit Freshwater Fish's Annual Report, in accordance with Section 150 of the *Financial Administration Act (FAA)*. The Annual Report includes audited financial statements for the fiscal year ended April 30, 2009.

We are very grateful for the many years of service of two of the Corporation's Board members, both of whom retired this past year: Jim Favel, who served for ten years, and Ed Isfeld, whose original appointment was June 14, 1990. Their contributions were invaluable.

On behalf of the Board, we extend a warm welcome to the two new Directors who replaced them: Angus Gardiner, of Île-à-la-Crosse, Saskatchewan, and Ken Campbell, of Gimli, Manitoba. Together they bring a wide range of experience and expertise to our corporate governance.

Beginning in 2007, Freshwater Fish undertook a comprehensive strategic review and created a new strategic plan that will guide the organization over the next ten years. The plan identifies a number of strategic priorities to increase market value and market leadership, improve the efficiency and management of the supply chain, increase stakeholder confidence and ensure the long-term operational and financial health of the Corporation, with the overriding objective of improving returns to fishers.

Freshwater Fish strives to remain relevant, competitive, and capable of fulfilling its mandate in the ever-changing business environment.

Respectfully,

Jim Bear

Jim Bear
Chairperson of the Board

PRESIDENT'S REPORT

The fiscal year which ended in April 2009 saw noteworthy advances for Freshwater Fish, in spite of the global economic downturn. In the first two quarters of the year, we made significant price gains in several markets. In the final two quarters, the declining economy weakened demand and, as a result, prices fell from their peak levels.

Thanks to the efforts of our marketing personnel, we have kept our sales volume up while protecting margins. In addition, deliveries of whitefish and northern pike rebounded after several years of decline, allowing Freshwater Fish to open up new markets. As a result, we paid out the highest total returns to fishers since 2003.

On a more negative note, the mid-year downturn in the economy, a number of one-time expenses and changes in accounting standards reduced net earnings to a loss of $721,000 for the year.

Freshwater Fish continues to work to increase the efficiency and productivity of our lake to plate supply chain to maximize returns to fishers and ensure the future of the freshwater fishery in western and northern Canada.

In 2008, we introduced our Strategic Plan to governments in Manitoba, Saskatchewan, Alberta and Northwest Territories. We also have begun to take steps to achieve the goals outlined in the Strategic Plan.

Key developments include hiring staff to fill gaps in Freshwater Fish's corporate skill set, specifically a Supply Chain Manager and Cost Accountant. Over the past two years, we have invested $5.8 million in plant upgrades to increase peak capacity, improve reliability and meet modern food inspection and international customer requirements. By investing equally in our human and physical resources, we are increasing efficiencies in the supply chain and, as a result, ensuring the highest possible returns to fishers.

Respectfully,

John K. Wood

John K. Wood
President and Chief Executive Officer
Winnipeg, Manitoba

CORPORATE PROFILE

Freshwater Fish Marketing Corporation, a self-sustaining federal Crown corporation created in 1969, is the buyer, processor and marketer of freshwater fish from Manitoba, Saskatchewan, Alberta, Northwest Territories, and part of northwestern Ontario. The Corporation's mandate is to purchase all fish lawfully harvested and offered for sale, to create an orderly market, to promote international markets, to increase fish trade, and to increase returns to fishers. Final payments to fishers are distributed annually, when possible, depending on sales revenues and associated costs.

The Board of Directors, including the President and Chief Executive Officer, governs the Corporation. All 11 Board positions are federal Order-in-Council appointments, with five appointed on the recommendation of the participating provincial governments. During the 2008/09 fiscal year, seven Directors were fishers and seven were Aboriginal. The President is assisted by a three-member Executive Committee and 46 full-time administrative support staff.

Freshwater Fish employs in excess of 150 full-time production staff, which may increase during peak periods. Fish are purchased and graded by 30 contracted agents and five corporate agencies at 54 delivery points. Freshwater Fish buys from approximately 2,100 fishers, who harvest from more than 265 lakes within the region.

In 40 years of business within Canada and abroad, Freshwater Fish has established and sustained a solid reputation based on product reliability, quality and safety. It is a recognized price leader, exercising its mandate to market fish inter-provincially and internationally. Freshwater Fish remains at the top of the U.S. walleye market, and is the largest supplier of whitefish to Finland, whitefish caviar to Sweden and Finland, and northern pike to France. It is the largest individual supplier of freshwater fish to the gefilte fish market and maintains a kosher-certified processing plant.

YEAR IN REVIEW

In the 2009 fiscal year, Freshwater Fish strengthened its internal capacity in terms of supply, processing and marketing, which prepares the Corporation for future challenges and a broadening of the business.

The final results for the year were mixed. Total returns to fishers were excellent, the highest in six years, but Freshwater Fish's own earnings came in at a loss of $721,000. This loss is the result of the mid-year downturn in the economy hurting margins, inventory re-balancing, a number of one-time expenses generated by management and administrative personnel changes, and the required adoption of new Canadian accounting standards on inventories.

Corporate

Last summer, Freshwater Fish shared its Strategic Plan with governments in Manitoba, Saskatchewan, Alberta and Northwest Territories. The plan outlines strategic directions and goals to fulfil the organization's vision of a sustainable fishery that provides maximum returns to fishers.

In line with the Strategic Plan, Freshwater Fish created and filled two key positions: Supply Chain Manager and Cost Accountant. These additions strengthen the management team and will help Freshwater Fish increase efficiencies along the supply chain, ultimately maximizing returns to fishers.

Marketing

Marketing efforts this year focused on a response to changing international markets, as well as increased supply.

In the first two quarters of the year, Freshwater Fish continued to make price gains in several markets. In the final two quarters, however, the faltering economy weakened demand and, as a result, prices fell from their peak levels. Deliveries of whitefish and northern pike rebounded after several years in decline, allowing Freshwater Fish to pursue new markets. These efforts recently paid off, as Freshwater Fish gained re-entry into Russia, Iran and Poland.

In the early part of the year, European sales fell due to a 30 per cent decline in the Russian ruble. This had a double impact on sales. First, it allowed Russia to undercut Freshwater Fish prices for pike in the French market. Second, it shut Freshwater Fish out of the Russian whitefish market, as a strong Canadian dollar made its imported product expensive relative to Russian domestic product.

In recent months, French customers have returned, as the Russian product has not met the same high standard of quality of the Freshwater Fish product. In addition, changing economic conditions have allowed Freshwater Fish product to re-enter the Russian market at a competitive and profitable price point.

Overall, Freshwater Fish maintained its sales volumes through tough economic times while protecting margins – ensuring a sustainable, profitable fishery.

Freshwater Fish increases efficiencies along the supply chain, ultimately maximizing returns to fishers.

Field Operations

Freshwater Fish offered new programs in the past year that successfully increased deliveries of whitefish and northern pike (after several years of decline) and increased activity in the winter fishery.

Freshwater Fish completed a new fish station at Berens River in time for the fall fishery. The new station is more efficient, cleaner and safer than the building it replaced.

Deliveries from January through April of this year were higher than last year, in part due to higher prices and premiums offered by Freshwater Fish. In winter, supply typically falls and prices rise in response. By encouraging the winter fishery, Freshwater Fish ensures a steady supply of product, maintains its standing in the market and increases overall annual returns to fishers.

Processing

Over the past two years, Freshwater Fish has invested $5.8 million in the Winnipeg processing plant to increase capacity for peak delivery times, improve reliability and meet modern food inspection and international customer requirements. Upgrades have included re-surfacing the floors and ceilings, and installing new ice-making and distribution equipment.

Before the spring 2008 fishery, Freshwater Fish invested in a new spiral freezer with almost three times the capacity of the previous freezer, allowing more fish to be handled during the peak season. The next phase is a defrosting line which will 'refresh' frozen fish to be processed and sold for premium prices off-season.

In January, Freshwater Fish completed negotiations for a new three-year contract with CAW local 561, the union that represents the plant's 250 production and maintenance workers. The new contract maintains Freshwater Fish's commitment to provide a competitive wage and benefit package while balancing the cost of production with the need to improve returns to fishers.

Communications

Freshwater Fish is committed to improving two-way communications with all stakeholders – from fishers to government officials. In 2008, Freshwater Fish retained a communications firm to improve and expand communications activities.

In March 2009, the first annual Supply Chain Workshop for fishers was held in Winnipeg. Thirteen fishers attended, representing six regions from Manitoba, Saskatchewan, Alberta and Northwest Territories. The two-day meeting covered best practices and species discussions and provided an invaluable opportunity to talk with fishers about their concerns.

Freshwater Fish also conducted a readership survey of Lake to Plate, its fisher newsletter. The response indicates that most fishers have two main concerns: fish prices and fish quality. Currently, the focus of Lake to Plate is being revised to better meet fishers' needs and foster two-way communication.

STRATEGIC DIRECTIONS

Strategic directions provide the foundation for Freshwater Fish to continue as an industry leader and overcome business challenges.

In early 2009, a team of Freshwater Fish management personnel worked with an outside facilitator to review the strategic plan developed in 2007. The team took a critical look at the plan and the past year's activities to ensure Freshwater Fish is on track to achieve its goals and that its key strategies remain relevant in the changing business environment.

The streamlined key strategies that resulted from the strategic planning session are presented below.

Strategy 1 | Expand the Business to Create Value and Diversify to Promote Stability

- Evaluate strategic alliances and partnerships
- Tap into additional supplies from non-traditional sources
- Encourage increased harvesting of valuable species

Strategy 2 | Develop Freshwater Fish as a Market-Oriented Business Model

- Develop a species-specific business planning approach
- Provide fishers with direct input into species-specific planning
- Invest in markets, products and brands

Strategy 3 | Promote Sustainable Development and Commercial Viability of the Fishery

- Develop effective two-way communications with fishers
- Understand all economic factors affecting the fishery
- Support government strategies that build fisher profitability
- Work with governments and fishers to manage the harvest to optimize value

Strategy 4 | Develop Processing Infrastructure to Meet Fishery and Market Needs

- Invest in modern processing solutions
- Continue to improve plant labour efficiencies and processing yields
- Develop third-party supplier and co-packer relationships to allow the plant to focus on what it does best

Strategy 5 | Ensure the Long-Term Financial Viability of Freshwater Fish

- Ensure resources are available for long-term reinvestment
- Capitalize on existing assets

Freshwater Fish is well-positioned to weather the economic downturn.

Strategy 6 | Create Organizational Structure to Promote Long-Term Viability

- Fill organizational gaps and address missing skill sets
- Assure a stable and committed processing workforce
- Create a culture that supports internal communication and cross-functional teams
- Optimize Enterprise Resource Planning (ERP) information systems

Strategy 7 | Stakeholder Communications

- Design and disseminate information packages specific to each stakeholder group's needs
- Develop and implement two-way communications with all stakeholders

The business environment in which Freshwater Fish operates has become even more competitive in the past year. Global economic conditions have softened demand for the highest priced products, while the cost of harvesting and processing fish continues to rise.

Freshwater Fish is well-positioned to weather the economic downturn. Its products are increasingly in demand as the centre-of-plate protein. In addition, a strong brand position and in-depth understanding of its customers' needs enables Freshwater Fish to be a price leader in all its markets.

Freshwater Fish has a continued challenge to manage increased demand for white-fleshed fish on the global market while facing varying volumes of deliveries. Some high-demand species – particularly whitefish – have had declining fisher deliveries. The decline is entirely economic: the cost of being a fisher has been rising with higher fuel and labour costs and when the western economy is strong, it provides lucrative alternative employment, resulting in reduced fishery participation and intensity.

The year just ended experienced an increase in deliveries, especially whitefish, for the first time in six years.

LOOKING AHEAD

In the year to come, Freshwater Fish will continue to respond to changing market requirements while taking steps to strengthen its supply chain and develop two-way communication with its stakeholders.

Increasing Food Safety Regulation Worldwide

Freshwater Fish consistently meets the stringent standards for registration by the Canadian Food Inspection Agency (CFIA) and has in place a Quality Management Program (QMP), Hazard Analysis Critical Control Points (HACCP) and other required programs. As markets such as the European Union continue to tighten their requirements, Freshwater Fish must keep pace with new regulations or lose its ability to export product.

Consumer and Customer Requirements

Consumers and customers (restaurants and supermarket chains) continue to place a priority on convenience, consistent quality and food safety, while consolidation in foodservice and retail channels increases pressures on price and service levels. These trends create a challenging environment in which to maintain or improve margins.

Fishery Sustainability

Multi-national retail chains are "going green." For Freshwater Fish, this means providing proof that wild-caught fish come from sustainable fisheries. Certification of sustainability is a long and expensive process requiring government involvement and sponsorship; however, it will be a necessary investment to ensure continued market access.

Supply Chain

Freshwater Fish will continue to make plant upgrades to increase the efficiency and productivity of its processing plant in Winnipeg. The next phase of planned upgrades is to install a thawing system that will condition frozen fish for the processing line at an appropriate rate.

Two-Way Communication

Building on the success of the first annual Supply Chain Workshop in Winnipeg, Freshwater Fish plans to hold regional workshops in other locations throughout its supply area. A second annual Supply Chain Workshop will be held in Winnipeg in 2010.

HOW FISHERS ARE PAID

Under the *Freshwater Fish Marketing Act*, Freshwater Fish is authorized to purchase and set prices for all fish caught under commercial licence in Manitoba, Saskatchewan, Alberta, the Northwest Territories and part of northwestern Ontario. Freshwater Fish has set up a payment structure that determines initial and final payments under a "pool" system. The final payments are determined by allocating receipts and costs by fish species.

Freshwater Fish sets an initial price for a species by estimating its market value. Projected processing and operating costs are then subtracted, as well as a contingency amount. Freshwater Fish may increase the purchase price when needed to ensure that there is enough supply to develop a new market or product.

Freshwater Fish makes it a policy to set each species' initial price at a level designed to promote full fishery in all regions. A higher output, even of lower-value species, helps to develop markets, maximize efficiency and contribute to paying fixed costs.

Freshwater Fish may adjust initial prices during the fiscal year to suit changing market conditions. It also may offer a temporary delivery premium for a given species as an incentive for fishers or when a customer has an urgent requirement.

The profit distribution policy ensures that at the end of the fiscal year, an appropriate portion of revenues from each species pool is allocated to long-term reinvestment in Freshwater Fish. After the annual audit by the Office of the Auditor General, Freshwater Fish determines final payments from the pooled receipts. Final payments are made from any corporate surpluses when sales revenues exceed all direct and allocated costs for a given species.

The table on pages 14 and 15 provides a ten-year history of pool results.

MANAGEMENT DISCUSSION AND ANALYSIS

Strong initial winter prices, winter season premiums and a dramatic increase in winter fishery volumes pushed total returns to fishers to $33 million, their highest level in five years. By this measure, the 2009 fiscal year was highly successful.

On a more negative note, the mid-year downturn in the economy, inventory re-balancing, a number of one-time expenses and changes in accounting standards reduced net earnings to a loss of $721,000 for the year. More specifically, as the western Canadian economy shed jobs over the winter of 2008/09, fishers returned to the fishery increasing supply volumes just as the weakened economies of the U.S. and Europe produced a decline in demand from the market. To maintain sales volume, Freshwater Fish had to use promotional pricing which reduced margins in the last half of the fiscal year. Promotions were also used to reduce inventories of certain over-supplied weight grades. The one-time expenses were due to management and administration changes that incurred search costs and severance allowances during the year. In the 2009 fiscal year, the Corporation's net earnings were impacted by the adoption of Canadian Institute of Chartered Accountants (CICA) Section 3031 accounting standard on inventories. Subsequent full implementation of IFRS by May 1, 2011 may continue to impact the Corporation's financial performance. Plant maintenance expenses continue to increase as the plant ages and requires more maintenance to comply with food safety regulations, worker safety standards and to maintain equipment reliability.

Markets

The year began with market prices at or near historic high levels and this continued into the middle of the third quarter. By the end of the third quarter and into the fourth quarter, markets were affected by the recession and prices started to weaken. As a result, Sales and Marketing utilized a combination of pricing and promotion to offset this weakening in demand. The biggest impact was felt in pickerel, where an oversupply of large size fillets necessitated aggressive pricing and promotion. While this strategy kept volume moving, it resulted in an increase in promotional allowances from 1.4 to 1.8 per cent of sales.

Average selling prices for all products were up by 10.1 per cent over the previous year, an excellent achievement given the economic difficulties of the last two quarters.

A stronger U.S. dollar raised returns from U.S. markets. The increase in returns is not proportional to the gains in the value of the U.S. dollar, as Freshwater Fish hedges its U.S. sales at budgeted exchange rates to reduce risk. In years when the U.S. dollar declines, this protects margins; however, in the past year it reduced the ability to make unexpected gains.

Species

Pickerel/Walleye: The Corporation had the highest sales revenues and near record volumes for pickerel (or walleye, as it's known in the U.S.) in spite of a weakening North American economy. Freshwater Fish increased sales in two key markets – Canada and the U.S. Midwest – due to concentrated marketing efforts at the operator level in the U.S., targeted fresh sales promotions, reduced Great Lakes quotas and beneficial U.S. exchange rates.

Whitefish: Freshwater Fish also increased sales volume, revenue and the average selling price for whitefish. The largest growth was in fresh sales, with volumes up over 30 per cent and revenue up almost 60 per cent for the year, driven by increased supply at critical times.

Freshwater Fish had record sales revenues and near record volumes for pickerel.

Northern Pike: Freshwater Fish maintained its price levels on most northern pike products, in spite of the poor economic performance of France – the largest market for the species – in 2008/09. Sales volumes and revenue, however, declined moderately during the last seven months of the year. Demand is expected to rebound as the French economy improves into 2010.

Mullet: Freshwater Fish made strong gains in revenue and average selling price for mullet, due to price increases implemented in the first half of the year and a stronger U.S. dollar. There was no spring run fishery this year due to the late spring. As a result, a key selling opportunity was lost, and at the close of the fiscal year sales volumes for mullet were 9 per cent below the previous year's results.

Inventories

Strong deliveries from the winter fishery resulted in year-end inventories of $16.8 million. This is $5.5 million higher than the previous year; however, the volume is on par with the nine year average. The increased inventory is not a concern unless market volumes drop further than expected at present. In addition, much of the increased inventory is in whitefish, which is good news – previous year supplies were well below what is required to meet customer needs.

Freshwater Fish has seen strong winter deliveries driven by two factors. First, for the past two years Freshwater Fish has offered substantial premiums for fish delivered from January to April. This is part of a new program to encourage delivery of fish at times when the market will pay the highest prices. Fishers have responded enthusiastically and winter 2009 deliveries were higher than the previous year's by 48 per cent. Second, the faltering economy has resulted in fewer alternative jobs in northern communities and former fishers are returning to the fishery to support their families.

Processing

Volume through the plant was up by 14 per cent, one of several factors that pushed plant expenses up by $3.5 million. Additional factors that raised plant expenses were a new collective agreement and higher prices for certain inputs such as packaging and utilities.

Capital Projects

In the plant, Freshwater Fish invested $5.8 million in critical upgrades to meet food safety standards and reliability requirements. These upgrades included replacement of the ice-making system for $1.2 million and installation of a defrosting line at a cost of $1.1 million.

In the field, the Berens River fish packing station was replaced at a cost of $2.1 million and to meet Transport Canada requirements, the freight barge underwent the $280,000 second phase of its planned refurbishment.

The Corporation's Enterprise Requirement Planning (ERP) system was upgraded to meet customer requirements for food traceability and an improved level and timeliness of information to management.

FINANCIAL RETURNS AND DELIVERIES

Ten Year Summary (2000 – 2009), Fiscal Year Ended April 30
Initial and Final Payments – Millions of Dollars (Current Dollars)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Pickerel										
Delivered Weight[1]	4.6	5.7	5.1	5.1	5.6	5.6	6.0	6.4	6.2	6.2
Price/ Round Kg.[2]	$4.28	$4.19	$4.45	$4.65	$3.45	$3.41	$3.15	$3.35	$3.5	$3.33
Initial Payment[3]	$17.3	$19.6	$16.8	$18.2	$19.3	$17.9	$18.2	$20.8	$20.2	$20.8
Final Payment	$2.4	$4.3	$5.9	$5.5	$0.0	$1.2	$0.71	$0.67	$1.5	$0.0
Total Payment	$19.7	$23.9	$22.7	$23.7	$19.3	$19.1	$18.91	$21.47	$21.7	$20.8
3 Yr. Moving Avg.[4]	$15.3	$20.9	$22.1	$23.4	$21.9	$20.7	$19.1	$19.8	$20.7	$21.3
Whitefish										
Delivered Weight[1]	5.6	6.5	6.8	7.0	6.7	5.9	5.4	5.5	3.8	5.1
Price/ Round Kg.[2]	$1.27	$1.43	$1.16	$1.19	$1.10	$1.00	$1.02	$1.09	$1.07	$1.48
Initial Payment[3]	$6.2	$7.8	$7.9	$8.3	$7.4	$5.9	$5.5	$6.0	$3.9	$7.6
Final Payment	$0.9	$1.5	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.2	$0.0
Total Payment	$7.1	$9.3	$7.9	$8.3	$7.4	$5.9	$5.5	$6.0	$4.1	$7.6
3 Yr. Moving Avg.[4]	$6.0	$7.4	$8.1	$8.5	$7.9	$7.2	$6.3	$5.8	$5.2	$5.9
Northern Pike										
Delivered Weight[1]	2.8	2.6	2.5	2.4	2.3	1.9	1.3	1.7	1.9	2.1
Price/ Round Kg.[2]	$0.82	$0.85	$0.8	$0.71	$0.65	$0.58	$0.62	$0.59	$0.78	$0.9
Initial Payment[3]	$2.0	$1.9	$1.8	$1.7	$1.5	$1.1	$0.8	$1.0	$1.2	$1.9
Final Payment	$0.3	$0.3	$0.2	$0.0	$0.0	$0.0	$0.0	$0.0	$0.3	$0.0
Total Payment	$2.3	$2.2	$2.0	$1.7	$1.5	$1.1	$0.8	$1.0	$1.5	$1.9
3 Yr. Moving Avg.[4]	$2.0	$2.2	$2.2	$2.0	$1.7	$1.5	$1.1	$1.0	$1.1	$1.5
Sauger										
Delivered Weight[1]	1.0	0.6	0.7	0.8	0.8	0.6	0.3	0.2	0.1	0.3
Price/ Round Kg.[2]	$3.2	$3.33	$4.14	$3.88	$3.13	$2.83	$3.17	$2.5	$3.27	$3.65
Initial Payment[3]	$2.8	$1.6	$2.2	$2.5	$2.5	$1.6	$0.9	$0.5	$0.4	$1.0
Final Payment	$0.4	$0.4	$0.7	$0.6	$0.0	$0.1	$0.05	$0.0	$0.0	$0.0
Total Payment	$3.2	$2.0	$2.9	$3.1	$2.5	$1.7	$0.95	$0.5	$0.4	$1.0
3 Yr. Moving Avg.[4]	$3.2	$3.0	$2.7	$2.7	$2.8	$2.4	$1.7	$1.1	$0.6	$0.6

FINANCIAL RETURNS AND DELIVERIES

Ten Year Summary (2000 – 2009), Fiscal Year Ended April 30
Initial and Final Payments – Millions of Dollars (Current Dollars)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Mullet										
Delivered Weight[1]	5.8	5.4	5.0	5.4	3.9	2.6	2.6	1.9	1.8	2.0
Price/ Round Kg.[2]	$0.29	$0.28	$0.28	$0.26	$0.26	$0.27	$0.31	$0.37	$0.38	$0.39
Initial Payment[3]	$1.7	$1.5	$1.4	$1.4	$1.0	$0.7	$0.8	$0.7	$0.6	$0.7
Final Payment	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.1	$0.0
Total Payment	$1.7	$1.5	$1.4	$1.4	$1.0	$0.7	$0.8	$0.7	$0.7	$0.7
3 Yr. Moving Avg.[4]	$1.3	$1.4	$1.5	$1.4	$1.3	$1.0	$0.8	$0.7	$0.7	$0.7
Perch										
Delivered Weight[1]	0.2	0.2	0.6	0.5	0.3	0.2	0.2	0.2	0.3	0.1
Price/ Round Kg.[2]	$5.5	$4.5	$4.5	$3.6	$3.0	$3.5	$2.7	$3.15	$2.99	$2.37
Initial Payment[3]	$0.8	$0.6	$2.2	$1.8	$0.9	$0.6	$0.5	$0.6	$0.8	$0.3
Final Payment	$0.3	$0.3	$0.5	$0.0	$0.0	$0.1	$0.04	$0.03	$0.0	$0.0
Total Payment	$1.1	$0.9	$2.7	$1.8	$0.9	$0.7	$0.54	$0.63	$0.8	$0.3
3 Yr. Moving Avg.[4]	$1.0	$1.0	$1.6	$1.8	$1.8	$1.1	$0.7	$0.6	$0.7	$0.6
Other										
Delivered Weight[1]	1.3	1.3	1.3	1.6	1.1	0.9	0.0	1.0	0.6	0.8
Price/ Round Kg.[2]	$0.62	$0.62	$0.77	$0.69	$0.73	$0.67	$0.67	$0.6	$0.5	$0.65
Initial Payment[3]	$0.8	$0.8	$0.9	$1.0	$0.8	$0.6	$0.6	$0.6	$0.5	$0.7
Final Payment	$0.0	$0.0	$0.1	$0.1	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Total Payment	$0.8	$0.8	$1.0	$1.1	$0.8	$0.6	$0.6	$0.6	$0.5	$0.7
3 Yr. Moving Avg.[4]	$0.8	$0.8	$0.9	$1.0	$0.9	$0.8	$0.7	$0.6	$0.6	$0.6
All Pools										
Delivered Weight[1]	21.3	22.1	22.0	22.8	20.7	17.7	16.7	16.9	14.7	16.6
Price/ Round Kg.[2]	$1.69	$1.82	$1.85	$1.8	$1.61	$1.68	$1.68	$1.8	$2.02	$1.98
Initial Payment[3]	$31.6	$33.8	$33.2	$34.9	$33.4	$28.4	$27.3	$30.2	$27.6	$33.0
Final Payment	$4.3	$6.8	$7.4	$6.2	$0.0	$1.4	$0.8	$0.7	$2.1	$0.0
Total Payment	$35.9	$40.6	$40.6	$41.1	$33.4	$29.8	$28.1	$30.9	$29.7	$33.0
3 Yr. Moving Avg.[4]	$29.6	$35.8	$39.0	$40.8	$38.3	$34.7	$30.4	$29.6	$29.6	$31.2

1 Delivered Weight – Round Equivalent Weight (millions of kilograms). 2 Price/Round Kg. – Based on Initial Payment plus Final Payment.
3 Initial Payment – Net of Freight. 4 Three Year Moving Average of Total Payments.

TEN YEAR FINANCIAL SUMMARY

Fiscal Year ended April 30
All amounts in millions of dollars.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Sales	$54.9	$61.9	$68.2	$66.8	$60.3	$59.3	$55.3	$61.6	$58.2	$62.5
Net Income (Loss) Before Final Payments	$4.3	$6.8	$7.4	$6.2	($0.8)	$1.4	$0.8	$0.7	$2.3	($0.7)
Fish Purchases	$34.2	$36.7	$35.9	$37.7	$35.7	$30.4	$29.2	$32.1	$29.2	$35.3
Net Income Plus Fish Purchases	$38.5	$43.5	$43.3	$43.9	$34.9	$31.8	$30.0	$32.8	$31.5	$34.6
Accounts Receivable - Trade	$5.8	$6.3	$7.4	$7.1	$7.9	$7.0	$5.1	$6.0	$5.5	$6.2
Inventory - Finished Fish Products	$8.8	$12.2	$10.9	$13.7	$14.4	$12.4	$12.6	$12.0	$10.6	$16.0
Inventory - Packaging Material and Parts	$0.8	$0.9	$0.8	$0.9	$0.9	$1.0	$0.9	$0.9	$0.7	$0.8
Capital Assets - Net Book Value	$6.5	$6.2	$6.7	$6.9	$6.7	$6.3	$6.1	$8.6	$10.6	$13.9
Loans Payable	$10.9	$12.1	$11.5	$14.0	$23.1	$18.4	$17.8	$20.7	$18.8	$30.8
Retained Earnings*	$4.2	$4.2	$4.2	$4.2	$3.3	$3.3	$3.3	$3.3	$3.6	$2.8

* Retained Earnings

Over the years 1980-1994, Freshwater Fish gradually established a retained earnings balance of $4.2 million. Cost controls and stronger prices returned stronger earnings in 2008. The retained earnings balance in 2009 reflects both operating performance and retroactive accounting adjustments that are the result of adopting new Canadian accounting standards.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of Freshwater Fish Marketing Corporation and all information in this annual report are the responsibility of the Corporation's management. The Board of Directors reviews and approves the financial statements.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The financial statements include certain amounts, such as the allowance for doubtful accounts and the write-down of inventory, that are necessarily based on management's best estimates and judgment. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained. The system of internal control is augmented by internal studies, which consist of periodic reviews of different aspects of the Corporation's operations.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board of Directors meets with management and the external auditor on a regular basis. External auditors have full and free access to the Board.

The Corporation's independent external auditor, the Auditor General of Canada, audited the financial statements of the Corporation in accordance with Canadian generally accepted auditing standards, and expressed her opinion on the financial statements.

John K. Wood
President and Chief Executive Officer
Freshwater Fish Marketing Corporation

Stanley A. Lazar, CMA
Chief Financial Officer
Freshwater Fish Marketing Corporation

Winnipeg, Canada
July 3, 2009

Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Minister of Fisheries and Oceans

I have audited the balance sheet of Freshwater Fish Marketing Corporation as at April 30, 2009 and the statements of operations, comprehensive income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at April 30, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied, except for the change in the method of accounting for inventory as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Freshwater Fish Marketing Act* and the by-laws of the Corporation.

Nancy Y. Cheng, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
July 3, 2009

BALANCE SHEET

as at April 30 (in thousands)

	2009	2008
ASSETS		
Current		
Cash	$ 247	$ 49
Accounts receivable (Note 6)	6,587	6,230
Inventories (Note 7)	16,810	11,340
Prepaid expenses and other assets (Note 6)	1,171	480
	24,815	18,099
Property, plant and equipment (Note 8)	13,902	10,612
	$ 38,717	$ 28,711
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 6)	$ 5,185	$ 4,227
Provision for final payments to fishers	-	2,100
Loans payable (Note 9)	30,772	18,829
	35,957	25,156
EQUITY		
Retained earnings	2,760	3,555
	$ 38,717	$ 28,711

Basis of presentation – going concern (Note 2)

Contingencies (Note 14)

The accompanying notes are an integral part of the financial statements.

Approved by the Board:

Chairperson

Director

STATEMENT OF OPERATIONS, COMPREHENSIVE INCOME AND RETAINED EARNINGS

for the year ended April 30 (in thousands)

	2009	2008
OPERATIONS		
Sales		
Export	$ 50,868	$ 48,633
Domestic	11,627	9,608
	62,495	58,241
Cost of sales		
Opening inventory of finished fish products (Note 3)	10,498	12,028
Add fish purchases and processing expenses:		
Fish purchases	35,273	29,208
Salaries, wages and benefits (Note 11)	10,142	8,904
Packing allowances and agency operating costs	4,550	4,239
Packaging and storage	4,136	3,033
Utilities and property taxes	1,640	1,446
Amortization of production assets	1,795	1,608
Repairs and maintenance	1,281	722
Other	891	436
	70,206	61,624
Less ending inventory of finished fish products (Note 7)	(15,982)	(10,572)
	54,224	51,052
Gross profit on operations	8,271	7,189
Marketing and administrative expenses		
Salaries and benefits (Note 11)	2,689	2,103
Interest expense	758	1,147
Net foreign exchange (gain) loss (Note 6)	2,911	(849)
Commissions (Note 12)	1,138	1,145
Data processing, office and professional services	783	758
Advertising and promotion	283	215
Meeting fees and expenses	163	136
Amortization of administration assets	154	107
Other	113	94
	8,992	4,856
Income (loss) before provision for final payments to fishers	(721)	2,333
Provision for final payments to fishers	-	2,100
Net income (loss) and comprehensive income (loss) for the year (Note 13)	(721)	233
Retained earnings at beginning of the year		
As previously reported	3,555	3,322
Change in accounting policy (Note 3)	(74)	-
Restated	3,481	3,322
Net income (loss) and comprehensive income (loss) for the year	(721)	233
Retained earnings at end of the year	$ 2,760	$ 3,555

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

for the year ended April 30 (in thousands)

	2009	2008
CASH PROVIDED BY (USED FOR)		
Operating activities		
Net income (loss) and comprehensive income (loss) for the year	$ (721)	$ 233
Add (deduct) items not affecting cash:		
Amortization	1,949	1,715
(Gain) loss on disposal of property, plant and equipment	13	(59)
Net changes in non-cash working capital:		
(Increase) decrease in accounts receivable	(357)	257
(Increase) decrease in inventory	(5,544)	1,579
Increase in prepaid expenses and other assets	(691)	(22)
Increase (decrease) in accounts payable and accrued liabilities	958	(185)
Increase (decrease) in provision for final payments to fishers	(2,100)	1,373
Cash provided by (used in) operating activities	(6,493)	4,891
Investing activities		
Additions to property, plant and equipment	(5,483)	(3,832)
Investment tax credits received for property, plant and equipment	216	
Proceeds on disposal of property, plant and equipment	15	136
Cash used for investing activities	(5,252)	(3,696)
Financing activities		
Increase (decrease) in loans payable	11,943	(1,911)
Cash provided by (used in) financing activities	11,943	(1,911)
Increase (decrease) in cash and cash equivalents during the year	198	(716)
Cash at beginning of year	49	765
Cash at end of year	$ 247	$ 49

Supplementary information:		
Interest paid	665	1,248

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

April 30, 2009

1. AUTHORITY, OPERATIONS AND OBJECTIVES

The Corporation was established in 1969 by the *Freshwater Fish Marketing Act* for the purpose of marketing and trading in fish, fish products, and fish by-products in and outside of Canada. The Corporation is required to purchase all fish legally caught in the freshwater region, which encompasses the provinces of Alberta, Saskatchewan, Manitoba, parts of northwestern Ontario, and the Northwest Territories. Participation of these provinces and territory was established by agreement with the Government of Canada.

The Corporation has the exclusive right to trade and market the products of the commercial fishery on an interprovincial and export basis, and it exercises that right with the objectives of marketing fish in an orderly manner, maximizing returns to fishers, promoting international markets, and increasing interprovincial and export trade in fish, fish products, and fish by-products.

The Corporation is an agent Crown corporation named in Part I of Schedule III of the *Financial Administration Act*. The Corporation is required to conduct its operations on a self-sustaining basis without appropriations from Parliament. An amendment to the *Freshwater Fish Marketing Act* was approved on June 22, 2006 increasing the legislative borrowing limit of the Corporation to $50 million. As at April 30, 2009, the total borrowings of the Corporation may not exceed $39.5 million as authorized by the Minister of Finance.

The Corporation is a prescribed federal Crown corporation for tax purposes and is subject to federal income tax under the *Income Tax Act*.

2. BASIS OF PRESENTATION – GOING CONCERN

These financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles (GAAP). The going concern basis of presentation assumes that the Corporation will continue in operation for the foreseeable future and contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business.

In 2009, the Corporation has incurred an operating loss and negative operating cash flows, and had a working capital deficiency of $11.1 million as at April 30, 2009. The Corporation's plan of operations may not result in cash flow sufficient to finance and expand its business on a self-sustaining basis. In addition, in successive years, the Corporation has sought and received approval to increase its borrowing limit. The annual authorization stood at $39.5 million as at April 30, 2009 and is approaching the Corporation's legislative borrowing limit of $50 million. During the year, the Corporation has increased significantly the use of its credit facilities. The balance of its loans payable rose from $18.8 million at April 30, 2008 to $30.8 million at April 30, 2009.

Under its enabling Act, the Corporation is authorized to borrow money from any bank on the credit of the Corporation and the repayment of those loans may be guaranteed by the Minister of Finance. In addition, as an agent Crown corporation, the Crown is ultimately responsible for the actions and debts of the Corporation. Nevertheless, the above factors raise doubt about the Corporation's ability to meet its requirements on an on-going basis to operate on a self-sustaining basis without appropriations from Parliament, as required by its enabling legislation.

The realization of assets is dependent upon the continued operations of the Corporation, which in turn is dependent upon management's plans to meet its financing requirements and the success of its future operations. The Corporation is actively pursuing various options, as set out in its 2009-2010 to 2013-2014 Corporate Plan, to enable it to achieve its business plans. The ability of the Corporation to operate on a self-sustaining basis is dependent on improving the Corporation's profitability and cash flow and securing additional financing, including for planned capital expenditures (see Note 10). The Corporation believes in the viability of its strategy to increase revenues and profitability and in its ability to raise additional funds, and believes that the actions presently being taken by the Corporation provide the opportunity for it to operate on a self-sustaining basis and as a going concern.

These financial statements do not include any adjustments to the carrying value of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used, that might be necessary if the Corporation was not successful in achieving the above.

3. NEW ACCOUNTING STANDARDS

On May 1, 2008, the Corporation adopted the following new Canadian Institute of Chartered Accountants (CICA) Handbook Sections: 3031, *Inventories*; 3862, *Financial Instruments – Disclosures*; 3863, *Financial Instruments – Presentation*; and 1535, *Capital Disclosures*. The principal changes in the accounting as well as the disclosure and presentation resulting from the adoption of these new standards are described below.

Inventories

CICA Section 3031, *Inventories* superseded existing guidance on inventories in Section 3030, *Inventories*. This standard introduced guidance as to the measurement of inventories, and changes including establishing standards on the definition of "cost", the requirement to measure inventories at the lower of cost and net realizable value, the allocation of overhead based on normal capacity, and the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. Inventory policies, carrying amounts, amounts recognized as an expense, write-downs and reversals of write-downs are required to be disclosed. The new disclosures are included in Notes 4 and 7.

The Corporation adopted Section 3031 effective May 1, 2008 and restated opening retained earnings at that date. As a result of this change, inventory was reduced by $74 thousand and retained earnings were reduced by $74 thousand. In accordance with the transition provisions of Section 3031, comparative year amounts have not been restated.

Financial instruments - Disclosures and Presentation

CICA Section 3862, *Financial Instruments – Disclosures*, and Section 3863, *Financial Instruments – Presentation*, replaced Section 3861, *Financial Instruments – Disclosure and Presentation*. The presentation requirements prescribed by Section 3683 are consistent with those of Section 3861. The adoption of Section 3862 resulted in additional disclosures with respect to risk management policies as well as the nature and extent of risks arising from financial instruments. The new disclosures are included in Note 6.

Capital Disclosures

As a result of the adoption of CICA Section 1535, *Capital Disclosures*, the Corporation has increased disclosures regarding its objectives, policies and processes for the management of capital as well as disclosures of summary quantitative information about what is managed as capital. The new disclosures are included in Note 10.

4. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash and term deposits, if any, maturing in less than three months from acquisition date.

Inventories

Finished fish products are recorded at the actual cost of fish purchases throughout the year plus direct labour and overhead directly related to processing. The Corporation uses a weighted-average cost formula to assign fixed and variable overhead costs to finished fish product inventory. At year-end, finished fish products are valued at the lower of cost and net realizable value. Packaging material and supplies are valued at the lower of cost and net realizable value. Inventory write-downs and reversals of write-downs are included in cost of sales in the Statement of operations, comprehensive income and retained earnings.

Financial instruments

All financial instruments are classified into one of the following categories: financial assets as held-for-trading, held-to-maturity, available-for-sale, or as loans and receivables, and financial liabilities as held-for-trading, or as other financial liabilities. Upon initial recognition, financial assets and financial liabilities are measured at their fair value. Subsequent measurement and changes in fair value will depend on their initial classification or designation which depends on the purpose for which the financial instruments were acquired and their characteristics. Held-for-trading financial instruments are subsequently measured at fair value and all gains and losses are recognized in net income in the period in which they arise. Available-for-sale financial instruments are subsequently measured at fair value with revaluation gains and losses included in other comprehensive income until the instrument is derecognized or impaired at which time the amounts would be recognized in net income. Financial assets held-to-maturity, loans and receivables, and other liabilities are measured at amortized cost.

The Corporation has designated its cash and cash equivalents (if any) as held-for-trading since they can be reliably measured at fair value due to their short-term to maturity. Accounts receivable are classified as loans and receivables, and accounts payable and accrued liabilities, the provision for final payments to fishers and loans payable are classified as other financial liabilities. Open dated foreign exchange forward contracts, foreign exchange call options and foreign exchange put barrier options must be classified as held-for-trading. The Corporation has no held-to-maturity or available-for-sale financial assets or held-for-trading financial liabilities.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For a financial asset or financial liability classified as held-for-trading, including derivative financial instruments, all transaction costs are recognized immediately in net income.

Property, plant and equipment

Property, plant and equipment are recorded at cost. Amortization is based on the estimated useful lives of the assets using the following methods and annual rates:

Buildings	- Lake stations	Straight-line	5-10%
	- Plant	Straight-line	2.5%
Equipment	- Machinery and office equipment	Declining balance	10-40%
	- Automotive	Declining balance	30%
Fresh fish delivery tubs		Straight-line	10%
Vessels		Straight-line	4.0-6.67%

The costs for systems under development and plant assets being upgraded or purchased, that are not yet operational, are charged to construction in progress. When the assets become operational, the cost is transferred to the appropriate property, plant and equipment classification and amortized accordingly.

Payments to fishers and retained earnings

The Corporation purchases fish at initial prices established by the Board of Directors based upon operational forecasts prepared by the Corporation and the cost of such purchases is included in cost of sales. Final payments to fishers, if any, are approved by the Board of Directors after the end of the year, based on the results of operations for the year, and are excluded from cost of sales. The final payments are charged to operations of the current year. After the final payments are established, any remaining income for the year is recorded as retained earnings.

Foreign currency translation

Revenue and expense items are translated into Canadian dollars at the monthly average exchange rates in effect during the year. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rate. All foreign exchange gains and losses incurred are included in net foreign exchange (gain) loss in the Statement of operations, comprehensive income and retained earnings.

Pension and other benefits

All eligible employees participate in the Public Service Pension Plan administered by the Government of Canada. The Corporation's contributions reflect the full cost as employer. This amount is currently based on a multiple of an employee's required contributions and may change over time depending on the experience of the Plan. The Corporation's contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the Corporation. The Corporation is not currently required to make contributions with respect to any actuarial deficiencies of the Public Service Pension Plan.

The Corporation is subject to the *Government Employees Compensation Act* and, therefore, is self-insured. As a self-insured employer, the Corporation is accountable for all such liabilities incurred since incorporation. Liabilities for workers' compensation benefits are recorded based on known awarded disability and survivor pensions in respect of accidents that have occurred.

Revenue recognition

Sales are recorded on an accrual basis and are recognized when products are shipped to customers.

Derivative financial instruments

Derivative financial instruments are utilized by the Corporation in the management of its foreign currency exposures and not for trading or speculative purposes. The Corporation does not apply hedge accounting to its derivatives. Derivatives are recognized on the balance sheet upon issuance, and removed from the balance sheet when they expire or are terminated. Both on initial recognition and subsequently, each derivative is recognized as either an asset or a liability on the balance sheet at its fair value. Derivatives with a positive fair value are reported as a component of prepaid expenses and other assets. Derivatives with a negative fair value are reported as a component of accounts payable and accrued liabilities. All changes in the fair value of derivatives are recognized in income in the period in which they occur as a component of net foreign exchange (gain) loss.

Investment tax credits

Investment tax credits relating to manufacturing property are recorded as a reduction of the applicable capital assets. Investment tax credits are recorded in the period that the credits are approved by Canada Revenue Agency provided there is reasonable assurance that the credits will be realized.

Use of estimates

Financial statements prepared in accordance with Canadian generally accepted accounting principles require management to make estimates and judgements that affect the amounts and disclosures reported in the financial statements. The more significant areas requiring the use of management estimates are related to the allowance for doubtful accounts, the provision to reduce slow moving or unsellable finished fish inventories to their estimated net realizable value, derivative financial instruments measured at fair value and the estimated useful lives of plant and equipment. Actual results may differ from those estimated. If actual results differ from these estimates, the impact would be recorded in future periods.

5. FUTURE ACCOUNTING CHANGES

Goodwill and Intangible Assets

In February 2008, the CICA issued new Section 3064, *Goodwill and Intangible Assets*, replacing Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Costs*. The new standard is effective for fiscal years beginning on or after October 1, 2008. The Canadian Accounting Standards Board (AcSB) also amended Section 1000, *Financial Statement Concepts*. The new and amended guidance clarifies that costs may only be deferred when they relate to an item that meets the definition of an asset. Section 3064 provides extensive guidance on when expenditures qualify for recognition as intangible assets. These recommendations, which will be adopted by the Corporation on May 1, 2009, are not expected to have a significant effect on the financial statements.

International Financial Reporting Standards (IFRS)

The AcSB has announced that all publicly-accountable Canadian reporting entities will adopt IFRS as Canadian generally accepted accounting principles for years beginning on or after January 1, 2011. The Corporation will adopt IFRS on May 1, 2011 and is currently evaluating the impact of the adoption of IFRS on its financial statements.

6. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Corporation has exposure to the following risks from its use of financial instruments:

i) credit risk
ii) liquidity risk
iii) market risk

This note presents information about the Corporation's exposure to each of the above risks and the Corporation's objectives, policies and procedures for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's accounts receivable and derivative financial instruments.

Accounts receivable

The Corporation's exposure to credit risk associated with accounts receivable is influenced mainly by the demographics of the Corporation's customer base, including the risk associated with the type of customer and country in which customers operate.

The Corporation manages this risk by monitoring the creditworthiness of customers. The Corporation has established processes when dealing with foreign customers in order to manage the risk relating to foreign customers.

As at April 30, the maximum exposure to credit risk for accounts receivable by geographic region was as follows:

(in thousands)	2009		2008	
	Original Currency	$CAD	Original Currency	$CAD
Canada	$ 1,398	$ 1,398	$ 1,575	$ 1,575
United States	3,928	4,687	3,545	3,570
Europe	436	436	1,085	1,085
Other	55	66	-	-
		$ 6,587		$ 6,230

At April 30, 2009, three customers represented 41% of the total receivable balance. Customers primarily represent distributors.

The Corporation establishes an allowance for doubtful accounts that reflects the estimated uncollectability of accounts receivable. The allowance is based on specific accounts and is determined by considering the Corporation's knowledge of the financial condition of its customers, the aging of accounts receivable, the current business and geopolitical climate, customer and industry concentrations and historical experience.

The aging of trade accounts receivable at April 30 was as follows:

(in thousands)	2009 Accounts receivable	2008 Accounts receivable
Current 0-30 days	$ 4,692	$ 4,264
Past due 31-60 days	1,349	1,173
Past due over 61 days	148	81
Non-trade accounts receivable	471	769
Total	6,660	6,287
Less: allowance for doubtful accounts	(73)	(57)
Net	$ 6,587	$ 6,230

The change in the allowance for doubtful accounts during the year ended April 30, 2009 was an increase of $16 thousand.

Derivative financial instruments
The Corporation manages its exposure to credit risk on its derivative financial instruments by contracting only with creditworthy counterparties, such as major Canadian financial institutions.

Liquidity risk
Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk by continuously monitoring actual and forecasted cash flows to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and

stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation. The Corporation has identified in Note 2 matters related to liquidity risk and going concern.

As at April 30, 2009, the contractual terms to maturity of the Corporation's financial liabilities was less than one year.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Corporation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Foreign currency risk

The Corporation is exposed to foreign exchange risk on a significant portion of its sales transactions which are denominated in U.S. dollars. The Corporation hedges a minimum of 67 percent of all trade receivables denominated in U.S. dollars and a portion of its forecasted sales, based on its hedging policy. In addition, a portion of loans payable are U.S. dollar denominated (Note 9). The Corporation manages its exposure to exchange rate fluctuations between U.S. dollars and the Canadian dollar by entering into the following types of instruments, most with a maturity of less than one year from the reporting date and only within limits approved by the Board of Directors:

Foreign exchange forward contracts - commitments to purchase or sell foreign currencies for delivery during a specified period in the future at a fixed rate.

Foreign exchange call options – right to purchase currencies at a specified price within a specific time period.

Foreign exchange put barrier options – options that automatically convert into foreign exchange call options upon reaching a specified barrier level during a specified time period.

The Corporation also uses such contracts in the process of managing its overall cash requirements. Included in prepaid expenses and other assets is an amount of $1,062 thousand (2008 - $377 thousand) and included in accounts payable and accrued liabilities is an amount of $1,188 thousand (2008 – $163 thousand) representing the fair value of derivative financial instruments held as at April 30:

(in thousands)		2009		2008
Foreign exchange forward contracts	$	-	$	(77)
Foreign exchange call options		1,062		291
Foreign exchange put barrier options		(1,188)		-
	$	(126)	$	214

Notional principal amounts outstanding as at April 30 are listed below for the open dated foreign exchange contracts, foreign exchange call options and foreign exchange put barrier options entered into by the Corporation.

(in U.S. $ thousands)		2009		2008
Foreign exchange forward contracts	$	-	$	21,730
Foreign exchange call options		25,900		21,100
Foreign exchange put barrier options		25,900		-

Net foreign exchange loss of $2,911 thousand (2008 – gain of $849 thousand) includes a loss of $340 thousand representing the change in fair value of derivative financial instruments classified as held-for-trading (2008 – loss of $119 thousand).

Based on the net exposure as at April 30, 2009, and assuming that all other variables remain constant, a 10 percent appreciation in the Canadian dollar against the U.S. dollar would result in a decrease in net loss and comprehensive loss of $2,746 thousand. A 10 percent weakening in the Canadian dollar against the U.S. dollar would result in an increase in net loss and comprehensive loss of $3,533 thousand.

Interest rate risk
At the reporting date, the Corporation's loans payable of $30,772 thousand (2008 - $18,829 thousand) are variable rate instruments.

An increase of 100 basis points in interest rates at the reporting date would have increased net loss and comprehensive loss by $276 thousand, assuming that all other variables, in particular foreign currency rates, remain constant.

Other price risk
The Corporation believes it is not exposed to any other price risk in relation to its financial instruments.

Fair value
The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, provision for final payments to fishers, and loans payable approximate their respective amortized cost due to the relatively short period to maturity of the financial instruments. Derivative related amounts are valued at their fair value on the balance sheet. The estimate of the fair value of the open dated foreign exchange forward contracts is calculated using the current market spot and forward exchange rates at the reporting date, taking into consideration the closing date of the open dated foreign exchange forward contracts. The estimate of the fair value of the foreign exchange call options and foreign exchange put barrier options is calculated using a valuation technique commonly used for these instruments.

7. INVENTORIES

As at April 30, inventory included:

(in thousands)		2009		2008
Raw materials and supplies	$	828	$	768
Finished goods		16,716		11,015
Provision for finished goods		(734)		(443)
	$	16,810	$	11,340

The amount of write-downs of inventories recognized as expense in 2009 is $734 thousand (2008 – $386 thousand). There were no reversals of previously recorded write-downs in fiscal 2009.

8. PROPERTY, PLANT AND EQUIPMENT

(in thousands)		2009		2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 336	$ -	$ 336	$ 336
Buildings	12,106	7,448	4,658	3,060
Equipment	18,908	14,974	3,934	3,124
Fresh fish delivery tubs/totes	1,392	707	685	841
Vessels	2,697	409	2,288	2,409
Construction in progress	2,001	-	2,001	842
	$ 37,440	$ 23,538	$ 13,902	$ 10,612

Amortization expense is recorded on the Statement of operations, comprehensive income and retained earnings in cost of sales (2009 - $1,795 thousand; 2008 - $1,608 thousand) and in marketing and administrative expenses (2009 - $154 thousand; 2008 - $107 thousand).

9. LOANS PAYABLE

(in thousands)	2009	2008
Promissory note	$ 4,772	$ 4,029
Bankers' acceptances	26,000	14,800
	$ 30,772	$ 18,829

During the year, the Corporation renewed its revolving demand credit facility providing access to funds up to the amount of $39.5 million Canadian or its U.S. dollar equivalent. The funds are advanced through loans, overdrafts, promissory notes and bankers' acceptances.

The bankers' acceptances bear interest at 0.45% (2008 – 3.20%) and mature on May 7, 2009. The weighted average interest rate during the year was 2.13% (2008 – 4.29%). Subsequent to May 7, 2009 new bankers' acceptances were entered into at a rate of 0.40%.

The $4,000 thousand U.S. dollar denominated promissory note ($4,772 thousand Canadian dollars) is repayable in U.S. dollars, bears interest at 1.35% (2008 – 5.05%) and matures on May 20, 2009. The weighted average interest rate during the year was 2.96% (2008 – 5.47%). Subsequent to May 20, 2009, the U.S. dollar denominated promissory note was renewed at a rate of 1.22%.

The bankers' acceptances and promissory note are secured by the authorization of the Minister of Finance of the Corporation's bank borrowing limit (Note 1).

10. CAPITAL MANAGEMENT

The Corporation is subject to the *Freshwater Fish Marketing Act* and the *Financial Administration Act* (the Acts) and any directives issued pursuant to the Acts. These Acts affect how the Corporation manages its capital by, among other things, setting broad objectives for the Corporation. Specifically, the Corporation must have regard for the need to conduct its operations on a self-sustaining financial basis while generating a return to the government of Canada and to fishers.

The Corporation defines and computes its capital as follows:

(in thousands)	2009	2008
Retained earnings	$ 2,760	$ 3,555
Loans payable	30,772	18,829
	$ 33,532	$ 22,384

The Corporation's objectives in managing capital are to:

- Provide sufficient liquidity to support its financial obligations and its operating and strategic plans;
- Generate increasing returns to the fishers; and
- Maintain financial capacity and access to credit facilities to support future development of the business, including for capital expenditures.

In 2009, the Corporation relied primarily on cash flow provided by operating activities supplemented with financing activities to support its financial obligations and to fund its capital and strategic requirements. In 2008, the Corporation primarily relied on cash flow provided by operating activities to support its objectives.

The Corporation's ability to obtain additional capital is subject to market conditions and pursuant to the provisions of the Acts. The limitations on the borrowings of the Corporation and its access to credit facilities are outlined in Note 1. Pursuant to Part X of the *Financial Administration Act*, the Corporation must indicate its intention to borrow money in the annual Corporate Plan, or in an amendment thereto, which are subject to the approval of the Board of Directors and the Governor in Council. The timing of future borrowings is not determinable (Note 2).

These objectives and strategies are reviewed in the annual Corporate Plan submission, approved by the Board of Directors.

The Corporation is not subject to any externally imposed capital requirements.

11. PENSION BENEFITS

The Corporation and all eligible employees contribute to the Public Service Pension Plan. Pension benefits accrue on pensionable service at a rate of 2 per cent per year up to a maximum period of 35 years, times the average of the best five consecutive years of earnings. The benefits are fully indexed to the increase in the Consumer Price Index. The Corporation's and employees' contributions to the Public Service Pension Plan for the year were as follows:

(in thousands)	2009	2008
Corporation's contributions	$ 969	$ 799
Employees' contributions	$ 480	$ 378

12. SALES COMMISSIONS

During the year, the Corporation paid commissions of $1,138 thousand (2008 - $1,145 thousand) to sales agents, all of which was paid to foreign sales agents. Commissions are included in marketing and administrative expenses on the Statement of operations, comprehensive income and retained earnings.

13. INCOME TAXES

The Corporation is eligible to deduct for tax purposes a portion of its capital cost allowance, and accordingly has no taxable income for the year (2008 - nil). At April 30, 2009 the estimate of the excess of undepreciated capital cost over the net book value of property, plant and equipment amounted to $3,008 thousand (2008 actual - $2,932 thousand) which can be used to reduce future years' taxable income. No amount has been recorded in the financial statements with respect to this excess amount since it is not considered more likely than not that any future income tax benefits will be realized.

14. CONTINGENCIES

The Corporation is involved in various legal claims arising from the normal course of business. The outcome of these claims is currently not determinable, and accordingly, no amounts have been recorded in the financial statements. It is the opinion of management that any amounts payable arising from these claims will not have a material adverse effect on the financial position of the Corporation. Amounts payable, if any, will be recorded in the year in which any liability is considered likely and the associated costs can be reasonably estimated.

Effective June 1, 2007, the Corporation concluded an agreement with its union that established the employment status of its fish plant employees on a going forward basis and retroactively to April 1, 1973. Subsequent to April 30, 2009, the Corporation agreed to terms with the Public Service Pension Centre (PSPC) that establish the manner in which the Corporation will document cases for employees who should become members under the Public Service Superannuation Act (PSSA) and how the PSPC will deal with those cases in establishing the pension status of the Corporation's fish plant employees. PSPC will establish the employee's eligibility to contribute, the periods of service countable for pension purposes and the periods of service that an employee can buy back. As employee contributions are made to the pension plan, the Corporation will be required to fund the employer's portion of these contributions, including amounts owing for past service.

It is not possible at this time for the Corporation to make an estimate of the amount, if any, of contributions that may result from this agreement. The Corporation's liability with respect to any contributions that may result from this agreement will be recorded when the amounts can be reasonably estimated.

CORPORATE GOVERNANCE

Freshwater Fish Marketing Corporation is governed by a Board of 11 Directors, including the President and Chief Executive Officer. All Board positions are federal Order-in-Council appointments, with five appointed on the recommendation of the participating provincial governments. Two Directors retired this past fiscal year and two new ones were appointed to replace them. During the 2008/09 fiscal year, seven of those Directors were fishers and seven were Aboriginal. The Board believes this composition reflects the geographical scope, interests and well-being of its stakeholders. The Board believes strongly that a majority of its members should always be active fishers representative of the various regions.

Board members acted in their role as liaisons with all levels of government and fisher association stakeholders by attending numerous private and public meetings, conferences and information sessions in the provinces and communities they represent. A Quarterly Report is issued to stakeholders highlighting key financial results and commenting on the progress of fisheries across the Freshwater Fish region.

Freshwater Fish Board members met six times in Winnipeg during the fiscal year. Each quarter, the Board conducted a comprehensive review of financial results and operational issues. At the July 2008 meeting, the Board received the annual audit report from the Office of the Auditor General and approved the 2007/08 Annual Report. In early April 2009, the Board met to approve its five-year Corporate Plan and operating budget for submission to Treasury Board.

The Board considered four applications under the Export Dealers Licence policy and approved four. There was also one renewal for 2008/09.

Major conferences or annual meetings attended included a Crown Corporation Governance conference (Ottawa), Fisheries Council of Canada AGM, National Seafood Sector Council Board, Seafood Value Round Table, Brussels Seafood Show, Boston Seafood Show, Manitoba Food Processors Association, Manitoba Commercial Inland Fisheries Federation conference, Manitoba Water Stewardship, Saskatchewan Cooperative Fisheries Ltd., the Manitoba Métis Federation, and seven other fisher association meetings.

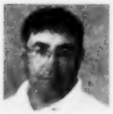
The Board took part in a two-day Strategic Review workshop in January 2009. In addition, President and Chief Executive Officer John Wood and various Board members traveled to meetings with Ministers (Environment and Northern Affairs, Sustainable Resource Development) in three regions (Saskatchewan, Alberta and Northwest Territories) to present the new Strategic Plan and discuss relevant fishery issues.

BOARD OF DIRECTORS

Jim Bear
Chairperson of the Board
Scanterbury, Manitoba
Occupation: Political Advisor,
Southeast Tribal Council
Served on Board: 8 years

John Wood
President and Chief Executive Officer
Winnipeg, Manitoba
Served on Board: 2.5 years

Ron Ballantyne
Grand Rapids, Manitoba
Occupation: Fisher
Served on Board: 5.5 years



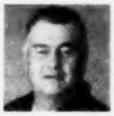
Peter A. Beatty
Deschambault Lake, Saskatchewan
Occupation: Vice-Chief,
Peter Ballentyne First Nation
Served on Board: 2.5 years

Bert Buckley
Hay River, Northwest Territories
Occupation: Fisher
Served on Board: 10 years

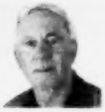
Ken Campbell (new appointment)
Gimli, Manitoba
Occupation: Fisher
Served on Board: 2 months

Irvin Constant
The Pas, Manitoba
Occupation: Fisher
Served on Board: 13 years

James R. Favel (retired Dec. 2008)
Île-à-la-Crosse, Saskatchewan
Occupation: Fisher
Served on Board: 10.5 years



Angus Gardiner (new appointment)
Île-à-la-Crosse, Saskatchewan
Occupation: Fisher
Served on Board: 8 months



Ed Isfeld (retired Apr. 2009)
Winnipeg Beach, Manitoba
Occupation: Fisher
Served on Board: 19 years

Gordon McDougall
Ashern, Manitoba
Occupation: Fisher
Served on Board: 13 years

Bob Paterson
Sioux Lookout, Ontario
Occupation: Area Supervisor,
Ontario Ministry of Natural Resources
Served on Board: 5 years

Gail Wood
Edmonton, Alberta
Occupation: Owner,
Wayne Wood Fresh Fish Ltd.
Served on Board: 2 years

CORPORATE OFFICERS

John Wood
President and Chief Executive Officer
Email: john.wood@freshwaterfish.com

Stan Lazar
Chief Financial Officer
Email: stan.lazar@freshwaterfish.com

Paul Cater
Vice-President, Sales and Marketing
Email: paul.cater@freshwaterfish.com

Stephen Kendall
Vice-President, Operations

Gerry Malone
Vice-President, Special Projects

EMPLOYEE RECOGNITION

Freshwater Fish Marketing Corporation extends its thanks to the following employees who have dedicated their careers to ensuring a dependable supply of high-quality freshwater fish products, excellent customer value and increasing returns to fishers.

30 Years of Service
Larry Calder
Patricia Calder
Margaret Camire
Ray Freeman
Danny Haywood
Melvin Paul
Vincent Sveinson

35 Years of Service
Gary Kostiuk
Marsha McCumber
Betty Ploschak
Charles Taylor

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From Lake to Plate